

ANALYSIS OF AMENDED BILL

Author: Campbell Analyst: Marion Mann DeJong Bill Number: AB 2441

Related Bills: _____ Telephone: (916) 845-6979 Amended Date: 04/27/98

Attorney: Doug Bramhall Sponsor: _____

SUBJECT: Manufacturers' Investment Credit/Qualified Property Includes Computers & Peripheral

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

☒ FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 20, 1998, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would include specified activities relating to computer programming and computer software described in Standard Industrial Classification (SIC) Codes 7371 to 7373 in the definitions of "qualified taxpayer" and "qualified property" under the Manufacturers' Investment Credit (MIC). Thus, taxpayers engaged in specified computer and programming activities may claim the MIC for their "qualified costs" for any computers and computer peripheral equipment (but not for the value of any capitalized labor costs directly allocable to the construction or modification of such property).

SUMMARY OF AMENDMENT

The April 27, 1998, amendments resolved the department's implementation consideration by defining "computers and computer peripheral equipment" as it is defined in Section 168(i)(2)(B) of the Internal Revenue Code (IRC). The amendments also made a minor technical change, changing "either" to "any" in a series of more than two items.

Except for the implementation consideration, the department's analysis of the bill as introduced February 20, 1998, still applies. The implementation consideration is replaced with the following. In addition, the department has the following new technical consideration.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___ X ___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved _____
Position Disapproved _____
Position Noted _____

Department/Legislative Director Date

Johnnie Lou Rosas 4/30/98

Agency Secretary Date

By: Date:

Implementation Considerations

Implementation of this bill would occur during the department's normal annual system update.

Technical Considerations

Amendments 1 and 2 would clarify that the computers and computer peripheral equipment are tangible personal property as defined in Section 1245(a).

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 2441
As Amended April 27, 1998

AMENDMENT 1

On page 8, modify lines 10 through 13 as follows:

(5) Computers and computer peripheral equipment, as defined in Section 168(i)(2)(B) of the Internal Revenue Code, that is tangible personal property as defined in Section 1245(a) of the Internal Revenue Code, for use by a qualified taxpayer in those

AMENDMENT 2

On page 21, modify lines 13 through 16 as follows:

(5) Computers and computer peripheral equipment, as defined in Section 168(i)(2)(B) of the Internal Revenue Code, that is tangible personal property as defined in Section 1245(a) of the Internal Revenue Code, for use by a qualified taxpayer in those